

**South Davis Water District**

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**Financial Statements  
Supplemental Information  
Independent Auditors' Report**

**December 31, 2006 and 2005**

# South Davis Water District

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**INDEPENDENT AUDITORS' REPORT**

To the Chairman and Board of Trustees  
**South Davis Water District:**

We have audited the accompanying basic financial statements of the **South Davis Water District** (the District) as of and for the years ended December 31, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the **South Davis Water District's** management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **South Davis Water District** as of December 31, 2006 and 2005, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2007 on our consideration of **South Davis Water District's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of **South Davis Water District**. The Management's Discussion and Analysis and supplemental information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of **South Davis Water District**. These schedules are the responsibility of the District's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Haynie & Co.*

Salt Lake City, Utah  
February 7, 2007

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(Unaudited)**

The following is a discussion and analysis of South Davis Water District's financial performance providing an overview of the District's financial activities for the year ended December 31, 2006. Please read it in conjunction with the District's financial statements, which follow this section.

**Financial Highlights**

The assets of the District exceeded its liabilities as of the close of the most recent year by \$2,821,451.

The District's total net assets decreased by \$42,224.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Fund financial statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are proprietary funds.

**Proprietary funds**

The District uses an enterprise fund to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes are part of the basic financial statements.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District.

**Financial statement analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,821,451 at the close of the most recent fiscal year.

# **South Davis Water District's Net Assets**

	2006	2005	2004
Current and other assets	\$ 905,705	\$ 889,586	\$ 976,254
Capital assets	2,053,640	2,115,107	2,121,313
Total assets	<u>2,959,345</u>	<u>3,004,693</u>	<u>3,097,567</u>
Current and other liabilities	33,215	39,650	31,141
Long-term liabilities	104,679	101,368	96,266
Total liabilities	<u>137,894</u>	<u>141,018</u>	<u>127,407</u>
Fund net assets:			
Invested in capital assets, net of related debt	2,053,640	2,115,107	2,121,313
Unrestricted	767,811	748,568	848,847
Total unrestricted fund net assets	<u>\$ 2,821,451</u>	<u>\$ 2,863,675</u>	<u>\$ 2,970,160</u>

The largest portion of the District's net assets (73%) reflects its investment in capital assets (e.g. land, buildings, water systems, equipment, and water rights), less any related debt used to acquire those assets that is still outstanding. Resources needed to repay capital-related debt must be provided from other sources.

The remaining balance of unrestricted net assets (27%) may be used to meet the District's obligations to customers, employees, and creditors.

At the end of the fiscal year, the District is able to report positive balances in all categories of net assets.

	2006	2005	2004
Revenues:			
Operating revenues	\$ 603,204	\$ 557,791	\$ 567,262
Revenues from tax assessments	90,581	92,994	107,990
Interest income on investments	31,867	21,667	13,153
Other	167	4,144	75
Total revenues	<u>725,819</u>	<u>676,596</u>	<u>688,480</u>
Expenses:			
Operating expenses	<u>768,043</u>	<u>783,081</u>	<u>733,754</u>
Change in net assets	(42,224)	(106,485)	(45,274)
Net assets - beginning of year	2,863,675	2,970,160	3,015,434
Net assets - end of year	<u>\$ 2,821,451</u>	<u>\$ 2,863,675</u>	<u>\$ 2,970,160</u>

**Financial Highlights - Culinary Water System****For the Years Ended December 31, 2006, 2005, and 2004**

	2006	2005	2004
Revenue from water sales	\$ 450,975	\$ 397,967	\$ 406,098
Total other operating and other income	99,353	98,906	116,844
Net (loss)	(36,226)	(113,490)	(40,578)
Working capital at end of year	529,209	521,139	623,999
Property and equipment, at cost (including water rights)	3,056,944	3,031,015	3,001,019
Net assets:			
Unrestricted net assets	\$ 424,530	\$ 419,771	\$ 527,733

**Financial Highlights - Irrigation Water System****For the Years Ended December 31, 2006, 2005, and 2004**

	2006	2005	2004
Revenue from water sales	\$ 142,792	\$ 141,735	\$ 140,379
Total other operating and other income	32,699	37,988	25,159
Net income (loss)	(5,998)	7,005	(4,696)
Working capital at end of year	343,281	328,797	321,114
Property and equipment, at cost (including water rights)	1,491,138	1,476,234	1,475,724
Net assets:			
Unrestricted net assets	\$ 343,281	\$ 328,797	\$ 321,114

The District's net assets decreased by \$42,224. Key elements of this decrease are as follows:

Operating revenues decreased by \$45,413 due to the decrease in water delivered and rate charges.

Property taxes decreased by \$2,413 due to an decrease in assessing and collecting of property taxes.

Operating expenses decreased by \$15,038, and interest earnings have increased by \$10,200 due to higher interest rates.

### Capital Assets

The District's investment in capital assets, as of December 31, 2006, amounts to \$2,053,640 (net of accumulated depreciation). This investment in capital assets includes the water system, administrative buildings and equipment, aqueduct rights and privileges, and water rights stock.

Major capital asset events during the current fiscal year included the following:

Investments in water system and lines of \$13,947.

Investment in work equipment of \$12,268.

### South Davis Water District's Capital Assets (net of depreciation)

	2006	2005	2004
Land	\$ 51,419	\$ 51,419	\$ 51,419
Water rights	88,625	88,625	88,625
Water systems, lines, wells, reservoirs	491,258	507,515	553,110
Water system construction	1,188,566	1,220,997	1,216,493
Telemetry equipment	87,828	98,225	65,019
Buildings	86,046	95,731	106,563
Equipment	59,899	52,595	40,084
Total	<u>\$ 2,053,641</u>	<u>\$ 2,115,107</u>	<u>\$ 2,121,313</u>

Additional information on the District's capital assets can be found in the notes to the financial statements.

### Requests for Information

This financial report is designed to provide a general overview of South Davis Water District's finances for all those with an interest. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the office of the District in care of the General Manager at P.O. Box 907, 407 West 3100 South, Bountiful, Utah 84011-0907.



**South Davis Water District**  
**Balance Sheets - Proprietary Fund**

<b>December 31</b>	<b>2006</b>	<b>2005</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 8,751	\$ 12,516
Wages and salaries payable	24,437	27,107
Other payables	27	27
<b>Total current liabilities</b>	<b>33,215</b>	<b>39,650</b>
<b>Deferred compensation benefit</b>	<b>104,679</b>	<b>101,368</b>
<b>Total liabilities</b>	<b>137,894</b>	<b>141,018</b>
<b>Fund net assets:</b>		
Invested in capital assets, net of related debt	2,053,640	2,115,107
Unrestricted	767,811	748,568
<b>Total fund net assets</b>	<b>2,821,451</b>	<b>2,863,675</b>
<b>Total liabilities and fund net assets</b>	<b>\$ 2,959,345</b>	<b>\$ 3,004,693</b>

*See accompanying notes to financial statements*

## South Davis Water District

### Statements of Revenues, Expenses, and Changes in Net Assets Proprietary Fund

For the years ended December 31	2006	2005
<b>Revenues:</b>		
Charges for services	\$ 593,767	\$ 539,702
Water connection fees	9,437	18,089
<b>Total revenues</b>	<b>603,204</b>	<b>557,791</b>
<b>Operating expenses:</b>		
Water purchased	108,647	102,351
Operating and administrative expenses	557,095	584,470
Depreciation and amortization	102,301	96,260
<b>Total operating expenses</b>	<b>768,043</b>	<b>783,081</b>
<b>Operating loss</b>	<b>(164,839)</b>	<b>(225,290)</b>
<b>Other revenues (expenses):</b>		
General property taxes	90,581	92,994
Interest income on investments	31,867	21,667
Other non-operating revenue	167	60
Gain on sale of fixed assets	-	4,084
<b>Total other revenues</b>	<b>122,615</b>	<b>118,805</b>
<b>Change in net assets</b>	<b>(42,224)</b>	<b>(106,485)</b>
<b>Net assets, beginning of year</b>	<b>2,863,675</b>	<b>2,970,160</b>
<b>Net assets, end of year</b>	<b>\$ 2,821,451</b>	<b>\$ 2,863,675</b>

*See accompanying notes to financial statements*

# South Davis Water District

## Statements of Cash Flows - Proprietary Fund

For the years ended December 31	2006	2005
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 596,814	\$ 569,061
Payments to suppliers of goods and services	(112,412)	(94,663)
Payments to employees and other operating cash payments	(555,771)	(581,556)
<b>Net cash used by operating activities</b>	<b>(71,369)</b>	<b>(107,158)</b>
<b>Cash flows from non-capital financing activities:</b>		
Property tax revenue	86,684	95,422
Other non-operating revenue	167	60
<b>Net cash provided by non-capital financing activities</b>	<b>86,851</b>	<b>95,482</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(40,834)	(93,970)
Proceeds from the sale of capital assets	-	8,000
<b>Net cash used by capital and related financing activities</b>	<b>(40,834)</b>	<b>(85,970)</b>
<b>Cash flows from investing activities:</b>		
Certificates of deposit - over 90 days	(5,599)	(4,475)
Interest income on investments	31,867	21,667
<b>Net cash provided by investing activities</b>	<b>26,268</b>	<b>17,192</b>
<b>Net increase (decrease) in cash and equivalents</b>	<b>916</b>	<b>(80,454)</b>
Cash and equivalents, beginning of year	425,406	505,860
<b>Cash and equivalents, end of year</b>	<b>\$ 426,322</b>	<b>\$ 425,406</b>

## South Davis Water District

### Statements of Cash Flows - Proprietary Fund (Continued)

For the years ended December 31	2006	2005
<b>Reconciliation of total operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (164,839)	\$ (225,290)
<b>Adjustments to reconcile operating loss to net cash used by operating activities:</b>		
Depreciation	102,301	96,260
<b>Changes in assets and liabilities:</b>		
<b>(Increase) decrease in assets:</b>		
Accounts receivable, net	(6,390)	11,270
Prepaid expenses	683	(3,009)
<b>Increase (decrease) in liabilities:</b>		
Accounts payable	(3,765)	7,783
Wages payable	(2,670)	821
Other payables	-	(95)
Deferred compensation benefits	3,311	5,102
<b>Net cash used by operating activities</b>	<b>\$ (71,369)</b>	<b>\$ (107,158)</b>

*See accompanying notes to financial statements*

## South Davis Water District

### Notes to Financial Statements

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**Note 1 -  
Significant  
accounting  
policies**

The South Davis County Water District was organized for the purpose of providing water service to culinary and irrigation customers in the southern part of Davis County. The District is not a component unit of another government, and it has no component units.

The financial statements of the District are prepared in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP). The District's reporting entity applies all relevant Government Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) pronouncements. The District is operated as a proprietary fund with two divisions (Culinary and Irrigation).

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes to the financial statements are organized to provide explanation, including disclosures of the District's financial activities for the years ending December 31, 2006 and 2005.

**Presentation** - The district has adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Disclosures*. These statements require governmental entities with more than one governmental activity to present additional accrual-based statements to better communicate the financial status of the entity. The significant changes to the District's financial statements resulting from the adoption of these statements are the Management's Discussion and Analysis and the titles and presentation of the financial statements to conform to the net asset presentation. Certain balances have been restated, including the District's net assets, to conform to the GASB Statement No. 34 presentation.

The District reports its water production, storage, and distribution operations as a proprietary fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Basis of accounting** - The District is an enterprise fund and its records are maintained on the accrual basis of accounting. The District elected to follow all Governmental Accounting Standards Board (GASB) pronouncements and all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, except those that conflict with a GASB pronouncement, in accordance with GASB Statement No. 20.

## South Davis Water District

### Notes to Financial Statements (Continued)

**Note 1 -  
Significant  
accounting  
policies  
(continued)**

**Management estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Investments** - Investments are stated at fair market value.

**Cash and Cash Equivalents** - The District maintains a cash and investment pool in which the two divisions share. Each division's portion of the pool is presented in its respective combined balance sheet as "Cash and cash equivalents". In addition, non-pooled cash and investments are separately held and presented in their respective divisions.

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value, which is determined using selected basis. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amounts, which reasonably estimates fair value.

**Capital assets** - Property and equipment are stated at historical cost, including capitalized interest if applicable. Costs incurred for repairs and maintenance that do not extend the useful life of an asset are recorded as an expense in the statement of revenues, expenses, and changes in net assets. Additions, improvements, and betterments that provide future benefit are recorded as capital assets in the balance sheet. Depreciation has been provided using the straight-line method over estimated useful lives as follows:

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**Cullinary water system:**

Water systems	15-50
Water system construction	50-60
Telemetering equipment	20-30
Buildings	10-40
Work equipment	5-10
Office furniture and equipment	5-10
Trucks	5

**Irrigation water system:**

Water lines and wells	20-60
Reservoirs	65-75
Telemetering equipment	20-30
Buildings	10-40
Work equipment	5-10
Office furniture and equipment	5-10
Trucks	5

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## South Davis Water District

### Notes to Financial Statements (Continued)

**Note 1 -  
Significant  
accounting  
policies  
(continued)**

**Property taxes** - Property tax revenue is computed on the basis of amounts received for the current and prior years, plus the amount collected by the Davis County Treasurer but not distributed to the District at year end. Property tax revenue is collected and remitted by the Davis County Treasurer as an agent for the District.

Utah statutes establish the process by which taxes are levied and collected. Property taxes are assessed as of January 1 of the year in which they are due. September 1 is the levy date with a due date of November 30. Delinquent taxes are subject to a two percent penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at a rate equal to the federal discount rate; the interest period is from January 1 until the date paid. If in May of the fifth year the taxes remain delinquent, the County advertises and sells the property at a tax sale.

**Comparative data and reclassifications** - Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**Note 2 - Cash,  
cash  
equivalents,  
and  
investments**

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of the District's funds in a qualified depository. The Act defines qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and that has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

#### Deposits

Cash and cash equivalents consisted of the following:

December 31	2006	2005
Unrestricted:		
Cash on deposit - demand	\$ 64,846	\$ 65,407
Utah PTIF	381,476	359,999
Total unrestricted cash and cash equivalents	426,322	425,406
Total cash and cash equivalents	\$ 426,322	\$ 425,406

## South Davis Water District

### Notes to Financial Statements (Continued)

**Note 2 - Cash,  
cash  
equivalents,  
and  
investments  
(continued)**

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At various times the District may have balances with its banks that exceed Federally Insured limits (\$100,000 per depositor).

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard and Poor's; bankers' acceptances; obligations of the U.S. Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund. All investments held by the District at December 31, 2006 comply with the provisions of the Act.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated*, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses net of administration fees of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.



# South Davis Water District

## Notes to Financial Statements (Continued)

### Note 2 - Cash, cash equivalents, and investments (continued)

The District had the following investments and maturities:

December 31		2006			
Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Unrestricted:					
Investment in					
Utah PTIF	\$ 361,476	\$ 361,476	\$ -	\$ -	\$ -
Certificates of deposit - over 90 days	325,354	325,354	-	-	-
Total unrestricted	686,830	686,830	-	-	-
Total investments	\$ 686,830	\$ 686,830	\$ -	\$ -	\$ -

December 31		2005			
Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Unrestricted:					
Investment in					
Utah PTIF	\$ 359,999	\$ 359,999	\$ -	\$ -	\$ -
Certificates of deposit - over 90 days	319,755	319,755	-	-	-
Total unrestricted	679,754	679,754	-	-	-
Total investments	\$ 679,754	\$ 679,754	\$ -	\$ -	\$ -

# South Davis Water District

## Notes to Financial Statements (Continued)

### Note 2 - Cash, cash equivalents, and investments (continued)

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

#### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

The District had the following investments and quality ratings:

December 31		2006			
Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Investment in					
Utah PTIF	\$ 361,476				\$ 361,476
Certificates of deposit - over 90 days	325,354	325,354			
<b>Total investments</b>	<b>\$ 686,830</b>	<b>\$ 325,354</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 361,476</b>
December 31		2005			
Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Investment in					
Utah PTIF	\$ 359,999				\$ 359,999
Certificates of deposit - over 90 days	319,755	319,755			
<b>Total investments</b>	<b>\$ 679,754</b>	<b>\$ 319,755</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 359,999</b>

# South Davis Water District

## Notes to Financial Statements (Continued)

### Note 3 - Capital assets

Capital asset activity for the year ended December 31, 2006 is the following:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Culinary water system:</b>				
Capital assets, not being depreciated:				
Land	\$ 14,431	\$ -	\$ -	\$ 14,431
Water rights	67,185	-	-	67,185
<b>Total capital assets, not depreciated</b>	<b>81,616</b>	<b>-</b>	<b>-</b>	<b>81,616</b>
Capital assets, being depreciated:				
Water systems	213,701	-	-	213,701
Water system construction	2,290,475	12,199	-	2,302,674
Telemetry equipment	158,474	241	-	158,715
Buildings	103,161	460	-	103,621
Work equipment	93,663	6,370	-	100,033
Office furniture and equipment	30,240	6,660	-	36,900
Trucks	59,685	-	-	59,685
<b>Total capital assets, being depreciated</b>	<b>2,949,399</b>	<b>25,930</b>	<b>-</b>	<b>2,975,329</b>
<b>Less accumulated depreciation</b>	<b>1,582,520</b>	<b>66,915</b>	<b>-</b>	<b>1,649,435</b>
<b>Total culinary water system</b>	<b>1,448,495</b>	<b>(40,985)</b>	<b>-</b>	<b>1,407,510</b>
<b>Irrigation water system:</b>				
Capital assets, not being depreciated:				
Land	36,988	-	-	36,988
Water rights	21,440	-	-	21,440
<b>Total capital assets, not depreciated</b>	<b>58,428</b>	<b>-</b>	<b>-</b>	<b>58,428</b>
Capital assets, being depreciated:				
Water lines and wells	837,545	1,748	-	839,293
Reservoirs	244,585	-	-	244,585
Telemetry equipment	84,180	138	-	84,318
Buildings	103,933	460	-	104,393
Work equipment	58,336	5,898	-	64,234
Office furniture and equipment	30,241	6,660	-	36,901
Trucks	58,986	-	-	58,986
<b>Total capital assets, being depreciated</b>	<b>1,417,806</b>	<b>14,904</b>	<b>-</b>	<b>1,432,710</b>
<b>Less accumulated depreciation</b>	<b>809,622</b>	<b>35,386</b>	<b>-</b>	<b>845,008</b>
<b>Total irrigation water system</b>	<b>668,612</b>	<b>(20,482)</b>	<b>-</b>	<b>648,130</b>
<b>Total capital assets</b>	<b>\$ 2,115,107</b>	<b>\$ (61,467)</b>	<b>\$ -</b>	<b>\$ 2,053,640</b>

# South Davis Water District

## Notes to Financial Statements (Continued)

### Note 3 - Capital assets (continued)

Capital asset activity for the year ended December 31, 2005 is the following:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Culinary water system:</b>				
Capital assets, not being depreciated:				
Land	\$ 14,431	\$ -	\$ -	\$ 14,431
Water rights	67,185	-	-	67,185
<b>Total capital assets, not depreciated</b>	<b>81,616</b>	<b>-</b>	<b>-</b>	<b>81,616</b>
Capital assets, being depreciated:				
Water systems	213,701	-	-	213,701
Water system construction	2,248,724	41,751	-	2,290,475
Telemetry equipment	157,774	700	-	158,474
Buildings	102,950	211	-	103,161
Work equipment	108,900	10,711	25,948	93,663
Office furniture and equipment	27,133	3,107	-	30,240
Trucks	60,221	11,211	11,747	59,685
<b>Total capital assets, being depreciated</b>	<b>2,919,403</b>	<b>67,691</b>	<b>37,695</b>	<b>2,949,399</b>
<b>Less accumulated depreciation</b>	<b>1,546,996</b>	<b>65,293</b>	<b>29,769</b>	<b>1,582,520</b>
<b>Total culinary water system</b>	<b>1,454,023</b>	<b>2,398</b>	<b>7,926</b>	<b>1,448,495</b>
<b>Irrigation water system:</b>				
Capital assets, not being depreciated:				
Land	36,988	-	-	36,988
Water rights	21,440	-	-	21,440
<b>Total capital assets, not depreciated</b>	<b>58,428</b>	<b>-</b>	<b>-</b>	<b>58,428</b>
Capital assets, being depreciated:				
Water lines and wells	825,268	12,277	-	837,545
Reservoirs	244,585	-	-	244,585
Telemetry equipment	83,480	700	-	84,180
Buildings	103,722	211	-	103,933
Work equipment	73,584	10,713	25,961	58,336
Office furniture and equipment	27,134	3,107	-	30,241
Trucks	59,523	11,210	11,747	58,986
<b>Total capital assets, being depreciated</b>	<b>1,417,296</b>	<b>38,218</b>	<b>37,708</b>	<b>1,417,806</b>
<b>Less accumulated depreciation</b>	<b>808,434</b>	<b>30,968</b>	<b>29,780</b>	<b>809,622</b>
<b>Total irrigation water system</b>	<b>667,290</b>	<b>7,250</b>	<b>7,928</b>	<b>666,612</b>
<b>Total capital assets</b>	<b>\$ 2,121,313</b>	<b>\$ 9,648</b>	<b>\$ 15,854</b>	<b>\$ 2,115,107</b>

## South Davis Water District

### Notes to Financial Statements (Continued)

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**Note 4 - Water  
purchase  
agreements**

The culinary water contract with Weber Basin Conservancy District requires that the District make annual payments in advance for 360 acre feet of culinary water costing \$44,640 for 2007. The payment for 2007 water was made prior to December 31, 2006.

Payment in the amount of \$64,007 has been made to Weber Basin Conservancy District for irrigation water for 2007.

**Note 5 -  
Pension plans**

**Plan Description** - The District participates in a Local Governmental Noncontributory Retirement System, which is for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102, or by calling 1-800-365-8772.

**Funding Policy** - In the Local Governmental Noncontributory Retirement System, the District is required to contribute 11.09% of their annual covered salary for January through June 2006 and 11.09% of their annual covered salary for July through December 2006. The contribution rates are the actuarially determined rates. The contribution requirements of the System are authorized by statute and specified by the Board.

The District's contributions to the Local Governmental Noncontributory Retirement Systems for December 31, 2006, 2005, and 2004 were \$28,418, \$27,091, and \$24,356 respectively. The contributions were equal to the required contributions for each year.

The District offers its employees deferred compensation plans created in accordance with the Internal Revenue Code Sections 457 and 401(k) (the Plans). The Plans, administered by the Local Governmental Noncontributory Retirement Systems and available to all District employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees or their beneficiaries until termination, retirement, death, or unforeseeable emergency.

## South Davis Water District

### Notes to Financial Statements (Continued)

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**Note 5 -  
Pension plans  
(continued)**

The 457 Plan commenced in the year ended December 31, 2004. There were no employer contributions during the 2004 year, nor in the 2005 year, nor in the 2006 year. The employee contributions to the Plan for the year's ended December 31, 2006, 2005 and 2004 were \$12,600, \$12,600 and \$10,500 respectively.

The employer contributions to the 401(k) Plan for the years ended December 31, 2006, 2005, and 2004 were \$5010, \$4,886, and \$4,701 respectively. The employee contributions to the Plans for the years ended December 31, 2006, 2005, and 2004 were \$27,335, \$26,733, and \$33,167 respectively.

The Plan is included in a publicly available financial report that includes financial statements and required supplementary information. A copy of the Systems' report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

**Note 6 -  
Insurance  
coverage - risks  
of loss**

Risks of loss are covered through a comprehensive general liability policy for public entities purchased by the District. This policy includes coverage as noted in the supplementary Schedule of Insurance Force.

There have been no reductions in insurance coverage from the prior year, and there have been no claims made against the insurance coverage during the past three years that have exceeded coverage.

The District self-insures for expenditures resulting from vehicle damage generally covered by collision and comprehensive insurance. Estimated expenditures for these claims are recorded at the time of the occurrence of any incident creating a loss based on repair estimates. These incidents do not create liabilities to third parties; accordingly, there are no liabilities for unpaid claims.

**Note 7 -  
Compensated  
absences**

It is the District's policy to grant employees vacation and sick leave. Employees are able to carry over vacation and 800 hours of sick leave to the next year. If there are any sick hours over 800, the District will buy back from the employee 25 cents to the dollar.

Upon retirement or resignation, employees may be paid a cash benefit equal to the number of vacation hours accrued up to a maximum amount, based upon the employee's current wage rate.

Upon retirement or resignation in good standing, employees with three years or more of service are paid a fixed percentage of their sick leave hours earned in excess of 300 hours.

To comply with the provisions of GASB No. 16, a liability for employees' accrued compensated absences has been reported. Since this liability will not be liquidated with current resources (expendable available financial resources), the liability has been reported as a long-term liability.

**SUPPLEMENTAL SCHEDULES**

# South Davis Water District

## Combining Balance Sheet

For the year ended December 31, 2006

	Total	Elimination	Culinary Water System	Irrigation Water System
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents - unrestricted	\$ 426,322	\$ -	\$ 219,048	\$ 207,274
Certificates of deposit - over 90 days	325,354	-	162,810	162,544
Receivables:				
Water accounts	29,910	-	29,463	447
Davis County Treasurer, tax collections	12,906	-	12,906	-
Due from Irrigation Water System	-	(90,693)	90,693	-
Prepaid expenses:				
Advance payment on water	108,647	-	44,640	64,007
Other prepaid expenses	2,566	-	2,387	179
<b>Total current assets</b>	<b>905,705</b>	<b>(90,693)</b>	<b>561,947</b>	<b>434,451</b>
<b>Capital assets:</b>	<b>4,548,082</b>	<b>-</b>	<b>3,056,944</b>	<b>1,491,138</b>
Less accumulated depreciation	2,494,442	-	1,649,434	845,008
<b>Capital assets, net:</b>	<b>2,053,640</b>	<b>-</b>	<b>1,407,510</b>	<b>646,130</b>
<b>Total assets</b>	<b>\$ 2,959,345</b>	<b>\$ (90,693)</b>	<b>\$ 1,969,457</b>	<b>\$ 1,080,581</b>
<b>Liabilities and fund net assets</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 8,751	\$ -	\$ 8,274	\$ 477
Wages and salaries payable	24,437	-	24,437	-
Other payables	27	-	27	-
Due to Culinary Water System	-	(90,693)	-	90,693
<b>Total current liabilities</b>	<b>33,215</b>	<b>(90,693)</b>	<b>32,738</b>	<b>91,170</b>
<b>Deferred compensation benefit</b>	<b>104,879</b>	<b>-</b>	<b>104,679</b>	<b>-</b>
<b>Total liabilities</b>	<b>137,894</b>	<b>(90,693)</b>	<b>137,417</b>	<b>91,170</b>
<b>Fund net assets:</b>				
Investment in capital assets, net of related det	2,053,640	-	1,407,510	646,130
Unrestricted net assets	767,811	-	424,530	343,281
<b>Total fund net assets</b>	<b>2,821,451</b>	<b>-</b>	<b>1,832,040</b>	<b>989,411</b>
<b>Total liabilities and fund net assets</b>	<b>\$ 2,959,345</b>	<b>\$ (90,693)</b>	<b>\$ 1,969,457</b>	<b>\$ 1,080,581</b>



**South Davis Water District**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**

For the year ended December 31, 2006

	Total	Culinary Water System	Irrigation Water System
<b>Operating revenues:</b>			
Charges for services	\$ 593,767	\$ 450,975	\$ 142,792
Water connection fees	9,437	6,465	2,972
<b>Total operating revenue</b>	<b>603,204</b>	<b>457,440</b>	<b>145,764</b>
<b>Operating expenses:</b>			
Salaries and wages	254,620	219,692	34,928
Water purchased	108,647	44,640	64,007
Depreciation and amortization	102,301	66,915	35,386
Power and pumping	68,304	68,178	126
Supplies and expenses	63,695	40,544	23,151
Employee benefits	70,540	60,269	10,271
Payroll taxes	19,784	16,816	2,968
Accounting and auditing	14,795	12,575	2,220
Insurance and bonds	13,967	13,967	-
Materials	9,371	9,190	181
Computer expenses	8,092	5,477	2,615
Water sampling expense	7,982	7,982	-
Trustee fees	6,000	4,500	1,500
Utilities	3,956	3,478	478
Truck and auto	3,861	3,132	729
Telephone	3,331	2,756	575
Telemetry	2,895	1,720	1,175
Office supplies	2,884	2,472	412
Legal	1,622	1,095	527
Other	1,372	1,144	228
Tractor expense	24	12	12
<b>Total operating expenses</b>	<b>768,043</b>	<b>586,554</b>	<b>181,489</b>
<b>Operating loss</b>	<b>(164,839)</b>	<b>(129,114)</b>	<b>(35,725)</b>
<b>Other revenues (expenses):</b>			
General property taxes	90,581	76,993	13,588
Interest income on investments	31,867	15,728	16,139
Other non-operating revenue	167	167	-
<b>Total other income</b>	<b>122,615</b>	<b>92,888</b>	<b>29,727</b>
<b>Change in net assets</b>	<b>(42,224)</b>	<b>(36,226)</b>	<b>(5,998)</b>
<b>Net assets, beginning of year</b>	<b>2,863,675</b>	<b>1,868,266</b>	<b>995,409</b>
<b>Net assets, end of year</b>	<b>\$ 2,821,451</b>	<b>\$ 1,832,040</b>	<b>\$ 989,411</b>

**South Davis Water District**  
**Combining Statement of Cash Flows**

For the year ended December 31, 2006	Total	Culinary Water System	Irrigation Water System
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 596,814	\$ 451,301	\$ 145,513
Payments to suppliers of goods and services	(112,412)	(48,191)	(64,221)
Payments to employees and other operating cash payments	(555,771)	(409,366)	(146,405)
<b>Net cash used by operating activities</b>	<b>(71,369)</b>	<b>(6,256)</b>	<b>(65,113)</b>
<b>Cash flows from non-capital financing activities:</b>			
Property tax revenue	86,684	73,096	13,588
Other non-operating revenue	167	167	-
<b>Net cash provided by non-capital financing activities</b>	<b>86,851</b>	<b>73,263</b>	<b>13,588</b>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(40,834)	(25,930)	(14,904)
Proceeds from the sale of capital assets	-	-	-
<b>Net cash used by capital and related financing activities</b>	<b>(40,834)</b>	<b>(25,930)</b>	<b>(14,904)</b>
<b>Cash flows from investing activities:</b>			
Certificates of deposit - over 90 days	(5,599)	(2,050)	(3,549)
Interest income on investments	31,867	15,728	16,139
<b>Net cash provided by investing activities</b>	<b>26,268</b>	<b>13,678</b>	<b>12,590</b>
<b>Net increase (decrease) in cash and equivalents</b>	<b>916</b>	<b>54,755</b>	<b>(53,839)</b>
<b>Cash and equivalents, beginning of year</b>	<b>425,406</b>	<b>164,293</b>	<b>261,113</b>
<b>Cash and equivalents, end of year</b>	<b>\$ 426,322</b>	<b>\$ 219,048</b>	<b>\$ 207,274</b>
<b>Reconciliation of total operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (164,839)	\$ (129,114)	\$ (35,725)
<b>Adjustments to reconcile operating loss to net cash used by operating activities:</b>			
Depreciation	102,301	66,915	35,386
<b>Changes in assets and liabilities:</b>			
<b>(Increase) decrease in assets:</b>			
Accounts receivable, net	(6,390)	(6,139)	(251)
Prepaid expenses	683	590	93
Due from other funds	64,402	64,402	-
<b>Increase (decrease) in liabilities:</b>			
Accounts payable	(3,765)	(3,551)	(214)
Wages payable	(2,670)	(2,670)	-
Due to other funds	(64,402)	-	(64,402)
Deferred compensation benefits	3,311	3,311	-
<b>Net cash used by operating activities</b>	<b>\$ (71,369)</b>	<b>\$ (6,256)</b>	<b>\$ (65,113)</b>

# South Davis Water District

## Balance Sheets - Culinary Water System

December 31	2006	2005	Increase/ (Decrease)
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents - unrestricted	\$ 219,048	\$ 164,293	\$ 54,755
Certificates of deposit - over 90 days	162,810	160,760	2,050
Receivables:			
Water accounts	29,463	23,324	6,139
Davis County Treasurer, tax collections	12,906	9,009	3,897
Due from Irrigation Water System	90,693	155,095	(64,402)
Prepaid expenses:			
Advance payment on water	44,640	44,640	-
Other prepaid expenses	2,387	2,977	(590)
<b>Total current assets</b>	<b>561,947</b>	<b>560,098</b>	<b>1,849</b>
<b>Property and equipment</b>	<b>3,056,944</b>	<b>3,031,015</b>	<b>25,929</b>
Less accumulated depreciation	1,649,434	1,582,520	66,914
<b>Property and equipment, net</b>	<b>1,407,510</b>	<b>1,448,495</b>	<b>(40,985)</b>
<b>Total assets</b>	<b>\$ 1,969,457</b>	<b>\$ 2,008,593</b>	<b>\$ (39,136)</b>
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 8,274	\$ 11,825	\$ (3,551)
Wages payable	24,437	27,107	(2,670)
Other payables	27	27	-
<b>Total current liabilities</b>	<b>32,738</b>	<b>38,959</b>	<b>(6,221)</b>
<b>Deferred compensation benefits</b>	<b>104,679</b>	<b>101,368</b>	<b>3,311</b>
<b>Total liabilities</b>	<b>137,417</b>	<b>140,327</b>	<b>(2,910)</b>
<b>Fund net assets:</b>			
Investment in capital assets, net of related debt	1,407,510	1,448,495	(40,985)
Unrestricted net assets	424,530	419,771	4,759
<b>Total net assets</b>	<b>1,832,040</b>	<b>1,868,266</b>	<b>(36,226)</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,969,457</b>	<b>\$ 2,008,593</b>	<b>\$ (39,136)</b>

# South Davis Water District

## Statements of Revenues, Expenses and Changes in Net Assets - Cullinary Water System

For the years ended December 31	2006	2005	Increase/ (Decrease)
<b>Operating revenues:</b>			
Charges for services	\$ 450,975	\$ 397,967	\$ 53,008
Water connection fees	6,465	7,888	(1,423)
<b>Total operating revenue</b>	<b>457,440</b>	<b>405,855</b>	<b>51,585</b>
<b>Operating expenses:</b>			
Salaries and wages	219,692	228,071	(8,379)
Water purchased	44,640	41,040	3,600
Depreciation and amortization	66,915	65,293	1,622
Power and pumping	68,178	65,680	2,498
Supplies and expenses	40,544	61,543	(20,999)
Employee benefits	60,269	56,586	3,683
Payroll taxes	16,816	17,133	(317)
Accounting and auditing	12,575	17,147	(4,572)
Insurance and bonds	13,967	16,292	(2,325)
Materials	9,190	7,231	1,959
Computer expenses	5,477	3,250	2,227
Water sampling expense	7,982	2,815	5,167
Trustee fees	4,500	4,500	-
Utilities	3,478	2,821	657
Truck and auto	3,132	2,361	771
Telephone	2,756	3,005	(249)
Telemetering	1,720	863	857
Office supplies	2,472	1,927	545
Legal	1,095	1,005	90
Other	1,144	1,073	71
Tractor expense	12	120	(108)
Election expense	-	2,631	(2,631)
Engineering fees	-	7,976	(7,976)
<b>Total operating expenses</b>	<b>586,554</b>	<b>610,363</b>	<b>(23,809)</b>
<b>Operating loss</b>	<b>(129,114)</b>	<b>(204,508)</b>	<b>75,394</b>
<b>Other revenues (expenses):</b>			
General property taxes	76,993	79,045	(2,052)
Interest income on investments	15,728	9,871	5,857
Other non-operating revenue	167	60	107
Gain on sale of fixed assets	-	2,042	2,042
<b>Total other income</b>	<b>92,888</b>	<b>91,018</b>	<b>8,006</b>
<b>Change in net assets</b>	<b>(36,226)</b>	<b>(113,490)</b>	<b>(77,264)</b>
<b>Net assets, beginning of year</b>	<b>1,868,266</b>	<b>1,981,756</b>	<b>113,490</b>
<b>Net assets, end of year</b>	<b>\$ 1,832,040</b>	<b>\$ 1,868,266</b>	<b>\$ 36,226</b>

**South Davis Water District**  
**Statements of Cash Flows - Culinary Water System**

For the years ended December 31	2006	2005
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 451,301	\$ 417,321
Payments to suppliers of goods and services	(48,191)	(33,857)
Payments to employees and other operating cash payments	(409,366)	(497,480)
<b>Net cash used by operating activities</b>	<b>(6,256)</b>	<b>(114,016)</b>
<b>Cash flows from non-capital financing activities:</b>		
Property tax revenue	73,096	81,473
Other non-operating revenue	167	60
<b>Net cash provided by non-capital financing activities</b>	<b>73,263</b>	<b>81,533</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(25,930)	(61,723)
Proceeds from the sale of capital assets	-	4,000
<b>Net cash used by capital and related financing activities</b>	<b>(25,930)</b>	<b>(57,723)</b>
<b>Cash flows from investing activities:</b>		
Certificates of deposit - over 90 days	(2,050)	(1,057)
Interest income on investments	15,728	9,871
<b>Net cash provided by investing activities</b>	<b>13,678</b>	<b>8,814</b>
<b>Net Increase (decrease) in cash and equivalents</b>	<b>54,755</b>	<b>(81,392)</b>
<b>Cash and equivalents, beginning of year</b>	<b>164,293</b>	<b>245,685</b>
<b>Cash and equivalents, end of year</b>	<b>\$ 219,048</b>	<b>\$ 164,293</b>
<b>Reconciliation of total operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (129,114)	\$ (204,508)
<b>Adjustments to reconcile operating loss to net cash used by operating activities:</b>		
Depreciation	66,915	65,293
<b>Changes in assets and liabilities:</b>		
<b>(Increase) decrease in assets:</b>		
Accounts receivable, net	(6,139)	11,466
Prepaid expenses	590	(313)
Due from other funds	64,402	940
<b>Increase (decrease) in liabilities:</b>		
Accounts payable	(3,551)	7,278
Wages payable	(2,670)	821
Due to other funds	-	(95)
Deferred compensation benefits	3,311	5,102
<b>Net cash used by operating activities</b>	<b>\$ (6,256)</b>	<b>\$ (114,016)</b>

**South Davis Water District**  
**Balance Sheets - Irrigation Water System**

December 31	2006	2005	Increase/ (Decrease)
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents - unrestricted	\$ 207,274	\$ 261,113	\$ (53,839)
Certificates of deposit - over 90 days	162,544	158,995	3,549
Receivables:			
Water accounts	447	196	251
Prepaid expenses:			
Advance payment on water	64,007	64,007	-
Other prepaid expenses	179	272	(93)
<b>Total current assets</b>	<b>434,451</b>	<b>484,583</b>	<b>(50,132)</b>
<b>Property and equipment</b>	<b>1,491,138</b>	<b>1,476,234</b>	<b>14,904</b>
Less accumulated depreciation	845,008	809,622	35,386
<b>Property and equipment, net</b>	<b>646,130</b>	<b>666,612</b>	<b>(20,482)</b>
<b>Total assets</b>	<b>\$ 1,080,581</b>	<b>\$ 1,151,195</b>	<b>\$ (70,614)</b>
<b>Liabilities and net assets</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 477	\$ 691	\$ (214)
Due to Culinary Water System	90,693	155,095	(64,402)
<b>Total current liabilities</b>	<b>91,170</b>	<b>155,786</b>	<b>(64,616)</b>
<b>Fund net assets:</b>			
Investment in capital assets, net of debt	646,130	666,612	(20,482)
Unrestricted net assets	343,281	328,797	14,484
<b>Total fund net assets</b>	<b>989,411</b>	<b>995,409</b>	<b>(5,998)</b>
<b>Total liabilities and fund net assets</b>	<b>\$ 1,080,581</b>	<b>\$ 1,151,195</b>	<b>\$ (70,614)</b>

# South Davis Water District

## Statements of Revenues, Expenses and Changes in Net Assets - Irrigation Water System

For the years ended December 31	2006	2005	Increase/ (Decrease)
<b>Operating revenues:</b>			
Charges for services	\$ 142,792	\$ 141,735	\$ 1,057
Water connection fees	2,972	10,201	(7,229)
<b>Total operating revenue</b>	<b>145,764</b>	<b>151,936</b>	<b>(6,172)</b>
<b>Operating expenses:</b>			
Salaries and wages	34,928	29,969	4,959
Water purchased	64,007	61,311	2,696
Depreciation and amortization	35,386	30,967	4,419
Power and pumping	126	114	12
Supplies and expenses	23,151	26,500	(3,349)
Employee benefits	10,271	9,986	285
Payroll taxes	2,968	3,023	(55)
Accounting and auditing	2,220	3,026	(806)
Materials	181	(154)	335
Computer expenses	2,615	574	2,041
Trustee fees	1,500	1,500	-
Utilities	478	498	(20)
Truck and auto	729	566	163
Telephone	575	620	(45)
Telemetry	1,175	-	1,175
Office supplies	412	330	82
Legal	527	177	350
Other	228	128	100
Tractor expense	12	21	(9)
Election expense	-	464	(464)
Engineering fees	-	3,098	(3,098)
<b>Total operating expenses</b>	<b>181,489</b>	<b>172,718</b>	<b>8,771</b>
<b>Income (loss) from operations</b>	<b>(35,725)</b>	<b>(20,782)</b>	<b>(14,943)</b>
<b>Other revenues (expenses):</b>			
General property taxes	13,588	13,949	(361)
Interest income on investments	16,139	11,796	4,343
Gain on sale of fixed assets	-	2,042	2,042
<b>Total other income</b>	<b>29,727</b>	<b>27,787</b>	<b>6,385</b>
<b>Change in net assets</b>	<b>(5,998)</b>	<b>7,005</b>	<b>13,003</b>
<b>Net assets, beginning of year</b>	<b>995,409</b>	<b>988,404</b>	<b>(7,005)</b>
<b>Net assets, end of year</b>	<b>\$ 989,411</b>	<b>\$ 995,409</b>	<b>\$ 5,998</b>

# South Davis Water District

## Statements of Cash Flows - Irrigation Water System

For the years ended December 31	2006	2005
<b>Cash flows from operating activities:</b>		
Receipts from customers and users	\$ 145,513	\$ 151,740
Payments to suppliers of goods and services	(64,221)	(60,806)
Payments to employees and other operating cash payments	(146,405)	(84,076)
<b>Net cash provided (used) by operating activities</b>	<b>(65,113)</b>	<b>6,858</b>
<b>Cash flows from non-capital financing activities:</b>		
Property tax revenue	13,588	13,949
<b>Net cash provided by non-capital financing activities</b>	<b>13,588</b>	<b>13,949</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(14,904)	(32,247)
Proceeds from the sale of capital assets	-	4,000
<b>Net cash used by capital and related financing activities</b>	<b>(14,904)</b>	<b>(28,247)</b>
<b>Cash flows from investing activities:</b>		
Certificates of deposit - over 90 days	(3,549)	(3,418)
Interest income on investments	16,139	11,796
<b>Net cash provided by investing activities</b>	<b>12,590</b>	<b>8,378</b>
<b>Net increase (decrease) in cash and equivalents</b>	<b>(53,839)</b>	<b>938</b>
Cash and equivalents, beginning of year	261,113	260,175
<b>Cash and equivalents, end of year</b>	<b>\$207,274</b>	<b>\$261,113</b>
<b>Reconciliation of total operating loss to net cash used by operating activities:</b>		
Operating loss	\$ (35,725)	\$ (20,782)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	35,386	30,967
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable, net	(251)	(196)
Prepaid expenses	93	(2,696)
Increase (decrease) in liabilities:		
Accounts payable	(214)	505
Due to other funds	(64,402)	(940)
<b>Net cash used by operating activities</b>	<b>\$ (65,113)</b>	<b>\$ 6,858</b>



# South Davis Water District

## Schedule of Insurance in Force

<b>December 31, 2006</b>	<b>Expiration Date</b>	<b>Amount</b>
<b>Insurance and Coverage</b>		
<b>Utah Local Government Insurance Trust</b>	<b>7/1/2007</b>	
Policy Number PX809764		
Buildings and personal property		\$ 892,960
\$1,000 deductible		
Contents		333,786
\$1,000 deductible		
Contractors equipment		110,244
\$1,000 deductible		
Mobile equipment		35,018
\$1,000 deductible		
<b>Utah Local Governments Insurance Trust</b>	<b>2/25/2007</b>	
Policy Number 13810-GL2006		
Comprehensive General Liability		
Policy for public entities, \$0 deductible		5,000,000
Coverage A-bodily injury liability		
Coverage B-personal injury liability		
Coverage C-property damage liability		
Coverage D-public officials' errors and omissions liability		
Automobile Liability		
Policy for public entities, \$0 deductible		5,000,000
Uninsured motorist		65,000
Underinsured motorist		50,000
<b>Western Surety Company</b>	<b>3/2/2007</b>	
Policy Number 70055180		
Fidelity bond, Secretary Treasurer		50,000
<b>Western Surety Company</b>	<b>2/1/2007</b>	
Bond Number 69835893		
Public employees blanket bond		50,000
<b>Utah Local Governments Insurance Trust</b>	<b>1/1/2007</b>	
Workmen's compensation insurance		\$ 500,000



**Haynie &  
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Chairman and Board of Trustees  
**South Davis Water District:**

We have audited the financial statements of the **South Davis Water District** (the District), as of and for the year ended December 31, 2006, and have issued our report thereon dated February 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, audit committee, management, and state agencies, and is not intended to be and should not be used by anyone other than these specified parties.

*Haynie & Co.*

Salt Lake City, Utah  
February 7, 2007

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**REPORT ON LEGAL COMPLIANCE APPLICABLE TO UTAH STATE LAWS AND  
REGULATIONS**

To the Chairman and Board of Trustees  
**South Davis Water District:**

We have audited the basic financial statements of the South Davis Water District (the District), for the year ended December 31, 2006, and have issued our report thereon dated February 7, 2007. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended December 31, 2006. The District received no major State assistance programs from the State of Utah.

Our audit also included test work on the District's compliance with those general compliance requirements identified in the State of Utah *Legal Compliance Audit Guide* including:

Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation and Property Tax Limitations  
Other Compliance Requirements

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the District, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2006.

*Haynie & Co.*

Salt Lake City, Utah  
February 7, 2007

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